Summary: Defendant filed a motion to dismiss or alternatively to transfer claiming that the mandatory forum selection clause contained in the contract with the plaintiff precluded venue in North Dakota. The plaintiff contended that the claims were independent of the contract and therefore the forum selection clause did not control. The Court found that the resolution of the claims related to the interpretation and existence of the contract, and accordingly gave significant weight to the mandatory forum selection clause. After considering the remaining factors for forum analysis, the Court granted the motion to transfer.

Case Name: New Products Marketing Corp. v. Lowes Companies, Inc., et al.
Case Number: 4-06-cv-35
Docket Number: 28
Date Filed: 9/21/06
Nature of Suit: 830

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NORTH DAKOTA
NORTHWESTERN DIVISION

New Products Marketing Corp., d/b/a/ Stringliner, Company, Plaintiff, vs. Lowe's Companies, Inc., Lowe's Home Centers, Inc., and Does 1-10, Defendants.	)	**ORDER GRANTING DEFENDANT'S MOTION TO TRANSFER** Case No. 4:06-cv-035

Before the Court is the defendant Lowe's Home Centers, Inc., Motion to Transfer filed on July 26, 2006, and a Motion for Oral Argument filed on August 17, 2006. For the reasons outlined below, the Motion to Transfer is granted.

I. BACKGROUND

On April 27, 2006, the plaintiff, New Products Marketing Corp., d/b/a Stringliner (Stringliner) filed a complaint against Defendant Lowe's Companies, Inc. for patent infringement, trademark infringement, and unfair competition. See Docket No. 1. Stringliner amended its complaint on May 4, 2006, to add Lowe's Home Centers, Inc. as a defendant as well as unascertainable defendants denoted as Does 1-10. See Docket No. 3. On August 10, 2006, as a result of the defendants' Motion to Dismiss for Lack of Personal Jurisdiction and for Improper Venue filed on June 26, 2006, the parties stipulated and the Court ordered the dismissal without prejudice of Lowe's Companies, Inc. on August 11, 2006. See Docket Nos. 22, 23.

On June 26, 2006, Lowe's Home Centers (Lowe's) filed a motion to dismiss or alternatively transfer this action to the United States District Court for the Western District of North Carolina. Lowe's contends that the claims in this action arise out of an agreement, the Master Standard Buying Agreement (MSBA), that contains a valid and controlling forum selection clause.

On July 26, 2006, Stringliner filed a brief in opposition to Lowe's motion. Stringliner contends that the forum selection clause does not control because Stringliner's claims are unrelated to and independent of the Master Standard Buying Agreement and, in the alternative, the agreement was terminated and its terms are inapplicable.

In its reply dated August 2, 2006, Lowe's contends that whether Stringliner's claims are independent of the Master Standard Buying Agreement or whether the agreement was terminated requires a contractual interpretation of the buying agreement. Lowe's contends that the required contractual interpretation triggers the forum selection clause and mandates a transfer of this action.

II. FACTS

Stringliner has its principal place of business in Williston, North Dakota and has patented and sells construction line reel products. Those products form the basis of Stringliner's claims in this case. On December 20, 1999, Stringliner entered into the Master Standard Buying Agreement (hereinafter referred to as the MSBA), with Lowe's and its other entities. See Docket No. 12-4. The MSBA made Stringliner a vendor for Lowe's and detailed the terms of the business relationship between the two parties.

With respect to this dispute, there are three pertinent clauses in the MSBA: (1) a forum selection and choice of law clause, (2) a covenant not to sue clause, and (3) a termination clause. The forum selection clause provides as follows:

> This agreement shall be construed and enforced in accordance with the laws of the State of North Carolina. The parties agree that the courts within the State of North Carolina will have exclusive jurisdiction with venue being in Wilkes County, State of North Carolina.

See MSBA, Article VIII, ¶ 7. Pursuant to the covenant not to sue clause, Stringliner agreed not to sue Lowe's and its related entities during the period of the agreement and for two years after its termination. The MSBA states:

> Vendor represents, warrants, and covenants not to sue Lowe's during the term of this Agreement and for a period of two (2) years after its termination in respect to Lowe's purchase, use, sale, distribution, and promotion of products and packaging that incorporate in whole or in part the trademark, trade dress, copyright, patent, and/or trade secrets of the vendor.

See MSBA, Article V, ¶ 7. The MSBA also provides the following requirements for termination:

> The term of this Agreement shall commence on the date above and shall continue until the date of termination stated by either party in a written notice to the other party, such notice to be given no less than sixty calendar days before the expiration date of the termination.

See MSBA, Article VIII, ¶ 16.

Stringliner alleges that Lowe's primarily sold the STRINGLINER brand construction line reels, and that between 1997 and 2001, Lowe's purchased approximately one million dollars worth of those reels from Stringliner. See Docket No. 3-1. Stringliner also alleges that since 2002, Lowe's has ceased purchasing anything from Stringliner. Id.

On September 9, 1997, Stringliner applied for a United States patent for a new construction line reel with a reloadable spool called the STRINGLINER II. Id. That patent was issued on July 27, 1999, as United States Patent No. 5,927,635 (the '635 patent). Id. Stringliner alleges that it showed the new product to Lowe's and also submitted to Lowe's a "Lowe's Item Information Sheet" and several samples of the product. Id.

In 2001, Lowe's began to import and sell the TASK FORCE brand construction line reels. Stringliner's claim for patent infringement alleges that the TASK FORCE brand reels were designed based on the STRINGLINER II and that the TASK FORCE reels fall within the scope of the '635 patent. Stringliner also asserts claims of trademark infringement and unfair competition alleging that Lowe's caused the TASK FORCE reels to be associated with the STRINGLINER trademark by advertising and selling TASK FORCE reels as STRINGLINER reels.

On August 21, 2001, and September 7, 2001, Lowe's contacted Stringliner to obtain the information necessary to return Lowe's STRINGLINER inventory to Stringliner. See Docket No. 13-3. On June 21, 2002, Bob Black, on behalf of Stringliner, wrote Lowe's a letter airing his discontent with Lowe's actions regarding the STRINGLINER and TASK FORCE line, but acknowledging that Stringliner would pay its outstanding debt. See Docket No. 13-4. No express written termination notice was sent or received by either party.

II. LEGAL DISCUSSION

28 U.S.C. § 1404(a) governs the ability of a federal district court to transfer a case to another district. Section 1404(a) provides: "For the convenience of the parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought." 28 U.S.C. § 1404(a) (2001). Section 1404(a) describes three general categories of factors that courts must consider when deciding a motion to transfer: (1) the convenience of the parties, (2) the convenience of the witnesses, and (3) the interests of justice. Terra Int'l, Inc. v. Mississippi Chem. Corp., 119 F.3d 688, 691 (8th Cir. 1997). Courts have recognized that the evaluation of a transfer motion requires a case-by-case evaluation of all relevant factors and is not limited to the three enumerated factors. The party seeking to transfer a case bears a heavy burden of establishing that the balance of the Section 1404(a) factors strongly favors a transfer. See Graff v. Qwest Commc'ns. Corp., 33 F. Supp. 2d 1117, 1121 (D. Minn.1999) (citing Gulf Oil Corp. v. Gilbert, 330 U.S. 501, 508 (1947)).

A. VENUE

It is well-established that a valid and applicable forum selection clause in a contract is a significant factor that figures in the district court's determination of the appropriate venue. Terra Int'l, Inc. v. Mississippi Chem. Corp., 119 F.3d 688, 691 (8th Cir. 1997) (citing Stewart Org., Inc. v. Ricoh Corp., 487 U.S. 22, 29 (1988)). However, "[b]efore a district court can even consider a forum selection clause in its transfer analysis, it must first decide whether the clause applies to the type of claims asserted in the lawsuit." Id. at 692. Thus, the Court must first analyze whether the

forum selection clause applies to Stringliner's claims, and if so, the effect of the forum selection clause on venue. Id. at 693.

1. FORUM SELECTION CLAUSE

Stringliner asserts that its claims are entirely independent of the MSBA and beyond the scope of the forum selection clause or, in the alternative, that the MSBA was terminated more than two years before the commencement of this action and the forum selection clause has expired. "Whether tort claims are to be governed by forum selection provisions depends upon the intention of the parties reflected in the wording of particular clauses and the facts of each case." Terra Int'l, Inc. v. Mississippi Chem. Corp., 119 F.3d 688, 693 (8th Cir. 1997). Although the cases deciding whether similarly-worded forum selection clauses cover tort claims have reached different conclusions, the majority of the cases suggest that the clauses apply to tort claims as well as contract claims. Id.

While determining the scope of a forum selection clause is a "rather case-specific exercise," the Eighth Circuit has used three "variously phrased general rules" to ascertain whether a forum selection clause applies to tort claims. The Eighth Circuit did not adopt a single test in Terra but indicated that the tests would apply depending on the factual situation. 119 F.3d at 694-695.

The first test, utilized by the Third Circuit, asks whether the asserted claims "ultimately depend on the existence of a contractual relationship" between the parties. Id. at 694 (quoting Coastal Steel Corp. v. Tilghman Wheelabrator Ltd., 709 F.2 190, 203 (3rd Cir. 1983)). The second test, employed by the Ninth Circuit, looks to "whether resolution of the claims relates to

interpretation of the contract." Id. (quoting Manetti-Farrow, Inc. v. Gucci Am., Inc., 858 F.2d 509, 514 (9th Cir. 1988)). The third test, employed by the First Circuit looks to whether the claim involves "the same operative facts as a parallel claim for breach of contract." Id. (quoting Lambert v. Kysar, 938 F.2d 1110, 1121-1122 (1st Cir. 1993)).

It is clear that a resolution of the issues before the Court depends upon the interpretation of the MSBA. In one breath Stringliner asserts that its tort claims do not depend on the interpretation of the MSBA, and in the next Stringliner interprets the covenant-not-to-sue clause to prevent suits involving only Stringliner's products actually sold by Lowe's. While that is one possible interpretation, another possible interpretation would be that the term "products" refers to all products sold by Lowe's, and therefore the MSBA prevents suit by Stringliner on all products Lowe's sells that incorporate Stringliner's "trademark, trade dress, copyright, patent, and/or trade secrets." See MSBA, Article V, ¶ 7. Stringliner's efforts to interpret the contract in an attempt to avoid the forum selection clause make it clear that the resolution of the tort claims relates to the interpretation of contract.

In the alternative, Stringliner asserts that the MSBA was terminated more than two years ago by several product return forms sent by Lowe's, and as a result of a letter sent by Stringliner expressing disapproval of Lowe's actions. The product return forms notified Stringliner that Lowe's discontinued the sale of the STRINGLINER product. None of these transmittals contained any express language of termination. The MSBA provides: "The term of this Agreement shall commence on the date above and shall continue until the date of termination stated by either party in a written notice to the other party, such notice to be given no less than sixty calendar days before

the expiration date of the termination." See MSBA, Article VIII, ¶ 16. It is undisputed that no such written notice was provided in this case by either party.

Stringliner urges the Court to find that the transmittals constituted "written notice" of termination and, therefore, no contract existed. To determine if there was written notice sufficient to terminate the MSBA, the Court must interpret the termination clause. This is precisely the contract interpretation situation dealt with by the Ninth Circuit. Further, whether the covenant-not-to-sue clause can be interpreted depends on the continued existence of the MSBA. Because Stringliner's allegations depend on the existence and interpretation of the MSBA, the Court ultimately concludes that under the Third and Ninth Circuit tests described in Terra, Stringliner's claims fall within the scope of the forum selection clause.

Stringliner also argues that its allegations do not arise under the MSBA and relies on the Eighth Circuit's decision in Farmland Indus., Inc. v. Frazier-Parrott Commodities, 806 F.2d 848 (8th Cir. 1986). In that case, the plaintiff and the commodities broker entered into an agreement that contained a forum selection clause. The plaintiff sued the commodities broker, as well as other individuals in a venue not covered by the forum selection clause. The plaintiff made allegations of fraud, breach of fiduciary duty, violations of the securities acts, and RICO. The Eighth Circuit affirmed the district court's order refusing to enforce the forum selection clause in the agreement between the plaintiff and the commodities broker because the district court concluded that the suit was "much broader than that contemplated by Farmland when it signed the agreement." 806 F.2d 848, 851-852. The Eighth Circuit also considered that Farmland could not have anticipated litigating its claims with the other defendants pursuant to the forum selection clause in the agreement. Here,

the Court finds that the Third and Ninth Circuit tests are applicable to this case and finds Stringliner's reliance on Farmland unpersuasive.

The Court notes that the amended complaint lists Does 1-10 as defendants. Similar to the situation in Farmland, Does 1-10 are not a party to the MSBA, and Stringliner has not consented to a forum selection clause with Does 1-10. However, Does 1-10 are not ascertainable and have not been brought before the Court. Therefore, under the terms of the MSBA, Stringliner could have anticipated litigating its claims against the only currently ascertainable defendant, namely Lowe's.

The Court finds that Stringliner's claims fall within the scope of the forum selection clause. As a result, the Court must next determine the appropriate weight to give that clause. A number of courts have distinguished a mandatory forum selection clause from a permissive clause, giving less weight to the latter when considering a motion to transfer. See, e.g., Docksider, Ltd. v. Sea Technology, Ltd., 875 F.2d 762, 764 (9th Cir. 1989); McDonnell Douglas Corp. v. Islamic Republic of Iran, 758 F.2d 341, 346-47 (8th Cir. 1985); Citro Florida, Inc. v. Citrovale, S.A., 760 F.2d 1231, 1232 (11th Cir. 1985); Keaty v. Freeport Indonesia, Inc., 503 F.2d 955, 956 (5th Cir. 1974). If venue is set forth using the mandatory "shall" language, the clause is enforced as written and venue is found to be exclusive in the designated forum. If venue is specified with the permissive "may" language, or if only jurisdiction is specified, the Court must look further for language indicating the parties' intent regarding venue.

There is no dispute that the forum selection clause specifically provides that the laws of North Carolina shall be applied, and that exclusive jurisdiction and venue will be in Wilkes County, North Carolina. Therefore, the Court finds that the forum selection clause is mandatory and, accordingly, significant weight is given to this factor. However, the existence of an applicable forum

selection clause is only one factor to consider on a motion to transfer. Terra Int'l, Inc. v Mississippi Chem. Corp., 119 F.3d 688 (8th Cir. 1997).

2. CONVENIENCE OF THE PARTIES

A plaintiff that chooses its home forum is generally presumed to have chosen the forum because it is convenient. Piper Aircraft Co. v. Reyno, 454 U.S. 235, 255-56 (1981). Regardless of where this action is venued, one of the parties will claim to be inconvenienced and placed at a disadvantage at trial. Transferring this action to a district court in North Carolina would only serve to shift the alleged inconvenience and hardship from Lowe's to Stringliner. Terra Int'l Inc. v. Mississippi Chem. Corp., 119 F.3d 688, 696-97. "Merely shifting the inconveniences from one side to the other . . . is not a permissible justification for a change of venue." Id. The Court finds that this factor weighs in favor of venue in North Dakota.

3. CONVENIENCE OF THE WITNESSES

To determine the convenience of the witnesses, the Court must examine the materiality and importance of the anticipated witnesses' testimony and then determine their accessibility and convenience to the forum. Reid-Walen v. Hansen, 933 F.2d 1390, 1396 (8th Cir.1991). Relevant considerations include the number of essential non-party witnesses, their location, and the preference of courts for live testimony as opposed to depositions. Coast-to-Coast Stores, Inc. v. Womack-Bowers, Inc., 594 F. Supp. 731, 734 (D. Minn. 1984).

Neither party has provided the Court with a list of potential witnesses. The witnesses with relevant testimony in this matter likely would be few, and potentially include one or more

representatives from Stringliner and Lowe's, as well as expert witnesses from both sides. While the number and location of witnesses does not weigh strongly in favor of transfer, the Court notes that the potential witnesses from Stringliner and Lowe's either signed, negotiated, or were a party to the MSBA, and contemplated venue in North Carolina. See Stewart Org., Inc. v. Ricoh Corp., 487 U.S. 22, 29 (1988) (noting that the district court "will be called on to address ... the convenience of a Manhattan forum given the parties' expressed preference for that venue" in a forum selection clause). Accordingly, this factor weighs slightly in favor of a transfer to the District of North Carolina.

4. INTERESTS OF JUSTICE

In Terra Int'l. Inc. v. Mississippi Chem. Corp., 119 F.3d 688 (8th Cir. 1997) the Eighth Circuit recognized several factors to consider in the interests of justice for purposes of transfer under 28 U.S.C. § 1404(a): (1) judicial economy, (2) the plaintiff's choice of forum, (3) the comparative costs to the parties of litigating in each forum, (4) each party's ability to enforce a judgment, (5) obstacles to a fair trial, (6) conflict of law issues, and (7) the advantages of having a local court determine questions of local law.

With respect to the first factor, because the District of North Dakota is generally familiar with the facts of the case, the Court finds that judicial economy would not be better served by a transfer of venue. The second factor, plaintiff's choice of forum, weighs in favor of retaining the case in North Dakota. The next factor the Court must consider is the comparative costs to the parties of litigating in each forum. Neither party has offered the court any estimates as to comparative costs so this factor favors neither side.

Finally, turning to the remaining factors (each party's ability to enforce a judgment, obstacles to a fair trial, conflict of law issues, and the advantages of having a local court determine questions of local law) the Court sees no difficulty in either party enforcing a favorable judgment on its claims in either federal forum. Additionally, the Court does not find any relative advantages or obstacles to a fair trial for either party in either forum.

When the factors are viewed as a whole, the mandatory forum selection clause weighs strongly in favor of a transfer. The Court finds that the convenience of the parties and witnesses, and the interests of justice, do not tip the balance. Therefore, the Court finds that transfer to North Carolina is appropriate under the facts and circumstances presented.

III. CONCLUSION

Based on the foregoing reasons, the Defendant's Motion to Transfer to the United States District Court for the Western District of North Carolina is **GRANTED**. (Docket No. 12). Accordingly, the Defendant's Motion for Oral Argument (Docket No. 27) is **DENIED** as moot. The Clerk of Court is directed to transfer the case to the United States District Court for the Western District of North Carolina.

IT IS SO ORDERED.

Dated this 21th day of September, 2006.

/s/ Daniel L. Hovland
Daniel L. Hovland, Chief Judge
United States District Court